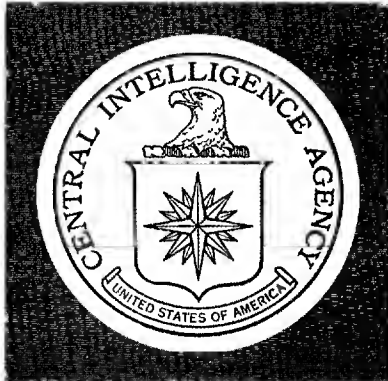


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25 November 1968

DIA and DOS review(s) completed.

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No. 0322/68
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[Vietnam: Ground action continued light and scattered over the weekend.

There was no major Communist-initiated military activity, and intensive allied sweep and patrol operations triggered only sporadic skirmishing. Several contacts were reported in northwestern III Corps and near My Tho city, which was lightly mortared. No significant military activity was reported in the Demilitarized Zone area.

* * * *

Le Duc Tho has returned to Paris with renewed demands that the US resume talks with or without Saigon. His statement at the airport was an effort to increase the propaganda pressure over this issue.

Lesser Hanoi spokesmen in Paris also began to inject a new sense of urgency this past week into the Communist call to get the negotiations moving, but Hanoi is still not threatening any specific action if its demands are not met.

Tho spent most of his six weeks away from Paris in Hanoi, but he has had unusually lengthy talks in Peking and Moscow during his return trip. His stops included a day of discussions with top Chinese leaders and a full five days in Moscow. Negotiating priorities and policy were almost certainly the main subject in both capitals.

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Czechoslovakia: The fleeting unity achieved at the party central committee plenum last week is again breaking down.

Party leaders fanned out through the country over the weekend to explain the unpopular decisions taken by the central committee. They were far from speaking with one voice, however, and their comments underscore the bitterness of the splits at top party levels, which Slovak first secretary Husak has called deep and dangerous.

Party first secretary Dubcek is trying to heal the wounds. He indicated that he favors attempting to stabilize the country on the basis of economic reform, rather than on the basis of compromises affecting the more controversial issues of individual freedom and rights. Dubcek implied, however, that social and political changes would accompany economic reforms, which will be discussed by the central committee in December.

Other leaders, however, indicated they would put emphasis on political issues before trying to move on to reforms. Conservatives have called for elimination of extremists from the leadership and for a purge of party dissenters. Moderates are espousing popular acceptance of the "new reality" and thus are partly meeting Soviet demands.

Meanwhile, scientists, artists, and newsmen have banded together in Prague to protest against any retreat from liberalization. They have presented the party leadership with an 11-point resolution and plan to meet again on Tuesday, presumably after receiving a response.

Leaders of the recently concluded student strikes believe they have accomplished their objectives, the most important of which was to bridge the normal gap between students and industrial workers. Their statement implies that they are prepared to act in the future if new restrictions should not be to their liking.

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Balkans - Warsaw Pact: The political and military situation in the Balkans is still quiescent.

Rumanian officials around the world are maintaining a calm outlook. In Paris, for example, a Rumanian diplomat said on 23 November that he had not noted any concern in his embassy about the rumors of invasion.

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Meanwhile, [REDACTED]

150 officers representing the chiefs of staff of all Warsaw Pact countries arrived in Bucharest on 22 November for talks that reportedly will end today. The meeting coincides with reports that the Warsaw Pact is preparing for a top-level meeting in December of its Political Consultative Committee. Similar gatherings have been noted in the past in preparation for such committee meetings.

The Warsaw Pact staff meeting now in progress may also be discussing an exercise to be held in Rumania during 1969, but there is no firm evidence that a pact maneuver will take place in Rumania this year.

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[REDACTED] Hungary and Bulgaria report no evidence of an alert in these countries or of any build-up near the Rumanian borders.

The situation also is calm in Yugoslavia, despite rumors of growing tension. The rumors stemmed from a British correspondent's confusion over public discussion in Yugoslavia of a proposed national defense law. Discussion of this legislation has been going on since September. The draft law prescribes the rights and duties of the Yugoslav population under a general mobilization concept that would take effect in response to an enemy attack. [REDACTED]

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[France: General De Gaulle's rejection of devaluation is a gamble that confidence in the franc can be restored by other means.

The French President apparently believes that the credits granted last week at the Bonn meeting of ten leading financial powers, West Germany's refusal to revalue the mark, and his newly announced austerity program at home will together dampen the wave of speculation against the franc. Whether or not this optimistic estimate will prove correct depends in part on how effectively the French Government is able to control wages and prices. The measures announced by De Gaulle are only mildly deflationary, and more stringent moves may be needed eventually.

De Gaulle's refusal to devalue the franc, combined with austerity measures in Britain, should remove the immediate pressure on the pound sterling as well as the short-term threat to other currencies, including the dollar. The US Embassy in London notes, however, that while a franc devaluation might have been even worse for British trade than the restrictive measures Paris has now taken, uncertainty in financial markets always hurts sterling.

Initial reaction in the other European capitals is decidedly mixed. According to press reports, there is widespread official skepticism that the measures will be effective in the long run. Moreover, there is also a fear that a failure of De Gaulle's gamble might later force France into a devaluation that would compel others to follow.

The measures announced by De Gaulle are likely to aggravate the domestic social climate and, in particular, to lead to renewed discontent among students and workers, whose dissatisfaction touched off the upheaval in May. Labor spokesmen have already protested De Gaulle's condemnation of workers who struck during **]**

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[the earlier crisis and have complained that they will bear the brunt of the austerity measures. Moreover, a new upsurge in student militancy is possible if the announced budgetary cuts in education are severe enough to deprive students of the new universities and facilities promised them. In anticipation of a possible renewal of protests and demonstrations, De Gaulle made clear that public order would be maintained.



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Italy: President Saragat's surprise nomination of a Socialist to form a new government was probably intended to pressure the Christian Democrats into settling their internal struggle over party leadership.

All postwar Italian governments have heretofore been led by the dominant Christian Democratic Party. Although the nominee, 72-year-old president of the Chamber of Deputies Allesandro Pertini, is a generally respected figure, his chances of forming a government appear to be practically nil.

The only coalition currently possible would have to consist of the Christian Democrats, the Socialists, and the small Republican Party. The Christian Democrats, however, are highly unlikely to acquiesce in a Socialist-led government and, with the unanimous re-election of Mariano Rumor as party secretary yesterday, they succeeded in at least papering over the deep factionalism within the party. This development would also seem to imply that compromises have been reached between the factions regarding the scope and priorities of such urgently needed measures as educational reform and labor legislation.

The party's previous delay in reaching such an agreement probably accounts for Saragat's decision to try to force the issue by naming Pertini. It now appears probable that Pertini will relinquish his mandate within a minimum length of time, and that Saragat will then nominate a Christian Democrat to negotiate with the Socialists and Republicans to form a new center-left government. [REDACTED]

[REDACTED]

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Japan: The current student strife at Tokyo University has implications reaching beyond strictly campus issues.

The trouble began with student protests over administration policies, but has developed into a bitter power struggle between opposing factions of the radical student confederation, Zengakuren. The number of students involved, more than 20,000, has been swelled by sympathizers from all parts of Japan. Faculty members and politically neutral students at the school have also been drawn in.

Mediation efforts by school authorities have been unavailing. The overriding consideration among the competing leftist groups is control of the student body.

The outcome of the confrontation at Tokyo University, Japan's foremost institute of higher learning, could have a strong bearing on student protest movements at other schools. Normal operations in as many as 60 schools throughout Japan have been disrupted this academic year by student excesses.

The government has been loath to use police force to quell disturbances in view of the tradition of campus inviolability; instead, it has largely acted to cordon off the violence. In those instances where police have taken a direct hand, the problems have only intensified. Nevertheless, the government is coming under increasing pressure from the general public to stabilize conditions on the school front.

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South Korea: Growing friction between the government and the major opposition party threatens to produce another clash in the National Assembly.

The opposition New Democratic Party is angered by the government's continued failure to implement an agreement of November 1967 to conduct a bipartisan investigation of the New Democrats' election grievances. Until this agreement was reached, New Democratic Party members had refused to take their assembly seats in protest against alleged irregularities in the elections of June 1967.



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Although the government has ridden roughshod over the National Assembly opposition before, there is some indication that Pak may be prepared to offer concessions this time to prevent an open break. Discussions between representatives of the two parties reportedly are now under way.



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Turkey: An increasing trade deficit and a decline in foreign aid may force the government to devalue the lira, tighten controls on imports, or reduce domestic investment.

The rapid growth of the Turkish economy in recent years has entailed a faster increase of imports than of exports. The resultant balance of payments deficit has been covered by foreign aid and by a series of emergency import restrictions.

This year, the balance of payments deficit has been larger than anticipated, and a prospective sharp reduction in foreign aid, resulting from a cutback in US funds, will jeopardize future import levels.

The government probably will want to postpone a decision on countermeasures until after the national elections in October 1969. Devaluation or tighter import restrictions would be inflationary and politically unpopular, while cuts in investment would slow economic growth.

Pressures for action, however, will increase when the aid reduction begins to be felt. In addition, the consortium of Free World countries and international agencies that furnishes most of Turkey's foreign aid can be expected to apply some leverage when it meets on 17 December to review the Turkish aid program. In any event, the balance of payments may deteriorate so rapidly as to force the government's hand.

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Mali: The new military junta is moving to establish a government that would shift Mali toward the ranks of the moderate African states.

The young officers who overthrew Modibo Keita's radical regime last week have installed a provisional administration in which moderate, civilian elements now wield strong influence. Its ranking member, after its military president, is a politician who long was the leading pro-Western dissenter in the ousted regime. Another key member of the provisional government is a competent pro-Western technician who was the principal Malian architect of the economic accords signed with France last year.

Junta leader Traore's first important policy statement, contained in an address to the nation on 22 November, amounted to an abrupt reversal of Keita's basic socialist commitment. It promised the elimination of marginal state enterprises--an action promised by Mali in the accords with France, but never implemented by Keita. Traore also pledged to maintain the private sector, and appealed for private foreign investment along with desperately needed budgetary assistance.

Traore, and the civilians on whom he is currently relying heavily, have made it clear that they are looking initially to Western sources, especially France, to bail Mali out. At the same time, they probably will try to preserve the important economic assistance Mali has been getting from both the USSR and Communist China.

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West Berlin: Police authorities fear that radical elements will foment a violent demonstration today during court proceedings against leftist student leader Fritz Teufel. On a similar occasion in early November, rioters inflicted numerous casualties on police before being subdued by tear gas and water cannon. Student radical leaders apparently are seeking direct confrontations with the police in hopes that such clashes will gain publicity and new adherents for their lagging campaign against the city establishment. Police are likely to adhere to their strategy of seeking to discourage violence by a superior show of force. [REDACTED]

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Burma: Virtually all major non-Communist political prisoners have now been freed with the release of 62 individuals on 21 November. Most of the detained Buddhist monks, however, and all of the hardcore Communists apparently are still being held.

The policy of releasing political prisoners began about two years ago. Aside from this concession, however, there has been no other relaxation of the political controls imposed by the Ne Win regime. Although Ne Win raised the possibility of broadened civilian participation in the military government in three major policy speeches in September, he has given no indication of intent to loosen the military reins since then. [REDACTED]

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